

Alternatives to Illinois School Finance and Governance Models

May 11, 2011 meeting
P-20 Council Finance and
Governance Committee

Each of the 50 states has a unique system for funding public schools

- A Quick Glance at School Finance: A 50 State Survey of School Finance Policies -2007-Verstegen, Jordan, and Amador
- Most systems include property taxes, a stable and potentially non-regressive source of revenue (with circuit breakers and exemptions).

Most states still expect local taxpayers to support local schools

- States that rely on local property taxes to fund K-12 education at least in part (the vast majority of states) have a variety of ways to measure the value of property in the district—for example, weighting residences differently from industrial or farm property. Several states consider the personal income of residents of the district as well as the value of property in setting the local contribution required from districts to support their schools (e.g., Massachusetts).

All states provide education support

- Some states still use a “flat grant” of the same amount per pupil for every district.
- Others use “power equalization” , making up the difference in dollars per mil, but leaving local communities to set their spending.
- About 40 states have funding mechanisms similar to Illinois, a combination of flat grants, power equalization, and a foundation level system. The state legislature sets a per-pupil amount needed to support an adequate education: the “foundation level.”
- Local funding capacity is calculated, and the state makes up the difference up to the foundation level, to even out funding for students in different areas.

Source: Kevin Carey, Overview of K-12 Education Finance,
<http://www.cbpp.org/cms/index.cfm?fa=view&id=1427>

Here's How it Works:

- Elected local officials (school boards or municipalities or counties) generally levy local property taxes. (In Illinois, there is a minimum rate. Three levels of state support are based on a formula assessing the degree of “local effort” and local property wealth.)
- Some localities may be able to charge local sales taxes or vehicle fees as well as levy property taxes to support the schools.
- The total local revenue is subtracted from the foundation level, and the state then provides an amount of additional funds intended to help make up the difference for each district.

$$\begin{array}{r} \text{Foundation level} \times \# \text{ of students} \\ - \text{Expected local revenue} \\ \hline \text{Basic school state aid} \end{array}$$

- Large differences in local revenue capacity can be offset-- if the foundation level is high enough.

Tax Caps

- Several states have state-wide or county-wide (Illinois) tax caps in place that limit local property tax increases. The foundation formula may take this into account. In Colorado, the TABOR amendment to the state constitution limits total school expenditures.



Taxpayer Bill of Rights

TABOR

PTELL

Additional funding is provided by states recognizing that some categories of students require additional spending

- Most states provide various additional grants (“**mandated categoricals**”) to local districts for each special education, English language learner, and low income student.
- Many states also provide grants in addition to the foundation grant to cover transportation costs, and some provide extra funding for very small isolated rural districts, or districts rapidly adding or losing population.

Exceptions to the pattern of state foundation funding



North Carolina

- Statewide teacher salary schedule
- No required local contribution
(although 25% of revenues statewide are local)
- State provides a flat grant, based on number of teachers needed according to a class size/ grade level schedule and teacher experience
- State funds mechanics, bus drivers' wages, bus replacement
- Extra teacher allocations for: handicapped students, students at risk of failing, students scoring below grade level, teacher assistants, vocational education, and driver education.
- Local school property taxes may be levied by county commissioners
- Big disparities in funding between districts remain.

Vermont

- Educational system is state-funded—no local taxes go to education.
- All districts thus have the same tax base per pupil, and the same tax rate (if per pupil spending is the same).
- All property owners with the same market value pay the same tax amount.
- Revenue comes from a two-part state property tax (homestead and non-homestead) and state general funds.
- Property taxes are assessed at the same rate statewide --except homestead taxes.
- Homestead property tax rates vary with the spending of the district, with local vote increasing local spending and local tax rates, with extra rates as restraint to slow spending 125% over prior year.
- About 60% of homestead taxpayers are eligible for a property tax reduction based on their household income.
- Boards for all 280 school districts adopt budgets, then voters approve, which then translates to a tax rate for homestead property owners in the district.

Comparison of Education Funding

(the model doesn't control the outcome)

State	Federal Revenue	State Revenue	Local Revenue	Ave. Teacher Salary	Ave. Per Pupil Expenditure
Illinois	8.6%	27.5%	63.9%	58,246	11,489
North Carolina	11.1%	63.9%	25.0%	46,410	8,544
Vermont	7.7%	86.8%	5.6%	48,370	15,940
Hawaii	9.2%	88.8%	2.0%	51,922	11,529
Massachusetts	5.1%	47.7%	47.2%	58,624	14,125

2006-07 Verstegen, Jordan, Amador
Source: National Education Association (2007).
Rankings and Estimates, 2006-07, Washington, D.C

Caution: What works must be sustained

- A combination of substantial investments in early learning and K-12 education, coupled with raised standards for students, teachers, and school leaders and supports for professional learning, and resources for those who need them most, led to improved achievement in North Carolina—but state funding then flagged and funding disparities increased, less qualified teachers were recruited, and achievement is declining.
 - Linda Darling-Hammond, *The Flat World and Education* (2010)

State courts have issued school funding decisions in most states

Chicago Urban League, et al. v. ISBE

2008 CH 30490, Circuit Court of Cook County

- The lawsuit challenges the State's method for raising and distributing education funds to local school districts and the Illinois State Board of Education's implementation of the system. The Urban League asserts that the State's public school funding scheme disparately impacts racial and ethnic minority students who attend Majority-Minority Districts. They seek injunctive relief preventing the state from implementing the current funding system.

Status: proceeding to trial

State courts have issued school funding decisions in most states (*cont.*)

- In an opinion issued 4/15/09 denying in part the defendants' motion to dismiss, the circuit court noted plaintiff's claims that:
- Illinois ranks 49th in the nation in the size of per-pupil funding disparity between its lowest and highest poverty districts.
- The per pupil funding capacity in the top five wealthiest districts ranged from \$1.2 to \$1.8 million, while the per pupil funding capacity ranged from \$7,000 to just over \$24,000 in the five districts with the lowest property wealth.
- The disparity exists despite the fact that low property wealth areas generally pay much higher property tax rates than areas with higher property wealth, and yet they still generate less local funding for their schools.
- Plaintiffs also claim research has shown that when instructional expenditures are increased by as little as \$1000 to \$2200 per student, a positive impact has been measured on the ISAT.

Other Pending Litigation

Carr v. Koch, 2010 MR 169, Circuit Court of Sangamon County

- Brought by two teachers, in March 2010, one living in Homewood-Flossmoor and one in Cairo, challenging the Illinois education funding system
- Claim that because core education functions in Illinois public schools are no longer locally controlled, their unequal property tax burdens violate the equal protection clause of the state Constitution.

Status: dismissed by circuit court, appeal filed Jan. 7, 2011, now pending

P-20 considerations

- The only time community colleges or higher education are included in state school finance calculations is in language limiting total expenditures or tax rates.
- All states view equity as a critical consideration, for students and for taxpayers, but there is no clear national consensus on what it looks like—how much extra do poor students need? Should all taxpayers with the same property value pay the same taxes?
- With P-20 focus, outcomes, including college and career readiness as well as scores, are important.
- Vermont and North Carolina are a step ahead in transparency, but transparency alone doesn't improve funding equity or outcomes.
- Massachusetts is ahead in outcomes, with local effort and foundation funding structure similar to Illinois—though 2004 litigation led to change that sets local contribution by looking at both income and property wealth. (Massachusetts also has high parental education and incomes.)

Additional considerations

- Inequality in resources is not just revenues per pupil between districts: inequality is also present among schools within districts, and among students in different classrooms, courses, and tracks.
- Teacher training, curriculum, materials, and teacher development matter and should be considered in assessing equality-- high-need districts often end up with less-qualified teachers. Adequate funding is needed to pay for all of these.
- Schools need stable, predictable funding to allow strategic decisions on investing resources to get results. Myriad small grants divert administrative resources from student learning.
- A strong, steady supply of effective practitioners must be provided by state policies, and supported by mentoring and training.
- Structure incentives to promote collaboration and knowledge-sharing across organizations—networks like in Ontario.

--The Flat World and Education, Linda Darling-Hammond (2010)

Ontario and PISA

- In 2009, Canada was sixth overall and Ontario met or exceeded the overall performance of Canada on most of the PISA measures
- 92% of Ontario students met or exceeded PISA's achievement benchmark in reading.
- Ontario is one of the top jurisdictions where students from all socioeconomic backgrounds meet the PISA benchmarks
- Ontario's science scores are up 14 points since 2000 and math and reading score are up slightly, while other Provinces in Canada have experienced declines

Ontario Faces Many Challenges

- Highly federated educational system
- Teachers are heavily unionized
- Significantly diverse
- Significant urban and rural poverty levels
- Large urban areas and very remote rural areas
- Areas with sharply dropping enrollment and others with rapid growth
- Provincial government is required to pay for religious schools

Profile of Ontario

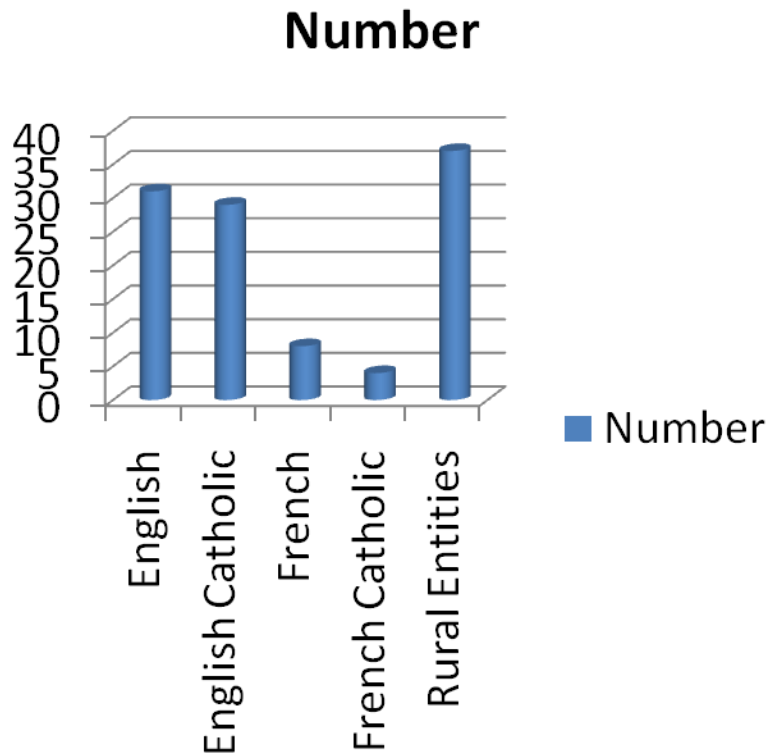


General Facts

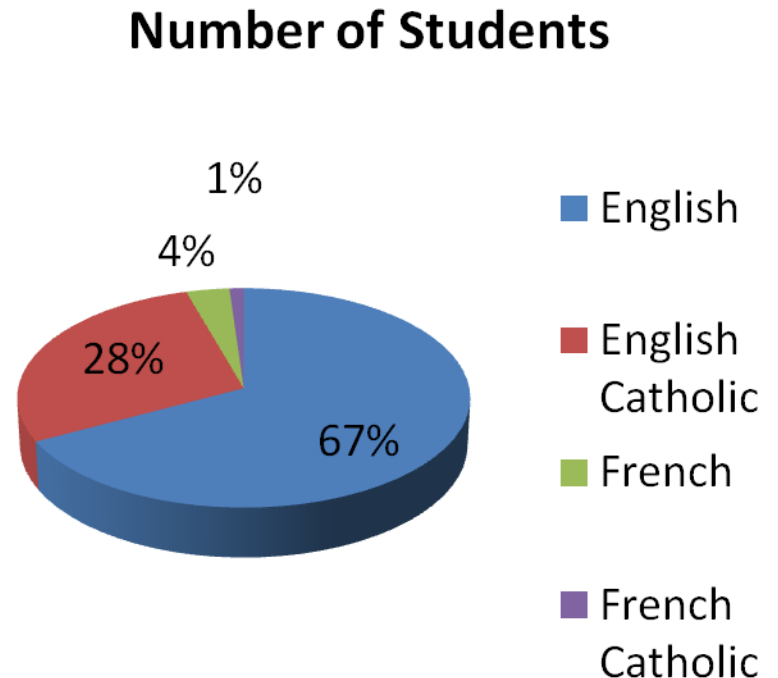
- Geographically immense
- Population of 13 million (about the same as Illinois)
- 5000 schools serving 2 million students
- 80% of students live in Urban areas
- 27% of students were born outside of Canada
- 20% are visible minorities

School Boards in Ontario

School Board Type



Enrollment by School Board Type



Any given area can be served by more than one of the four boards, so there is some degree of choice

History of Educational Funding in Ontario

- Late 1960's-sweeping reform of education funding
- The Province started to fiddle with the formula placing restrictions on spending
- This resulted in gross disparities between localities not only in terms of funding, but also in term of academic performance
- Conservative government (1995-2002) used this “crisis” to justify sweeping educational reforms such as standardizing the curriculum
- Succeeded in making education funding more equitable, but by no means was it adequate.
- In the late 1990's a series of governance and finance bills were passed by the conservative government
- In 2003, a more liberal government came into power and used the finance and governance framework created by the conservative government and increased the funding to match current goals

Finance and Governance Bills in Ontario

- Act to Establish the Quality and Accountability Office (1996)
- Ontario College of Teachers (1996)
- Fewer School Boards Act (1997)
- Education and Quality Improvement Act (1998)

Act to Establish the Quality and Accountability Office (1996)

- Development of standardized tests linked to standardized curriculum expectations
- International benchmarking (PISA)
- Research on student academic achievement
- Create an information system and database
- Accountability and school improvement

Ontario College of Teachers

- Self-regulatory agency for all certified teachers
- Specified the composition for the leadership and governing council
- Jurisdiction over accreditation of teacher preparation programs (N=10), new and continuing certification, professional standards, professional development, and discipline

Fewer School Boards Act

- Mandatory consolidation (127 to 72)
- Reduced the number of trustees per board
- Capped salaries of trustees at \$5000 (some were making \$40,000 a year)
- Toronto school board became the 4th largest in North America (300,000 students)

Education and Quality Improvement Act

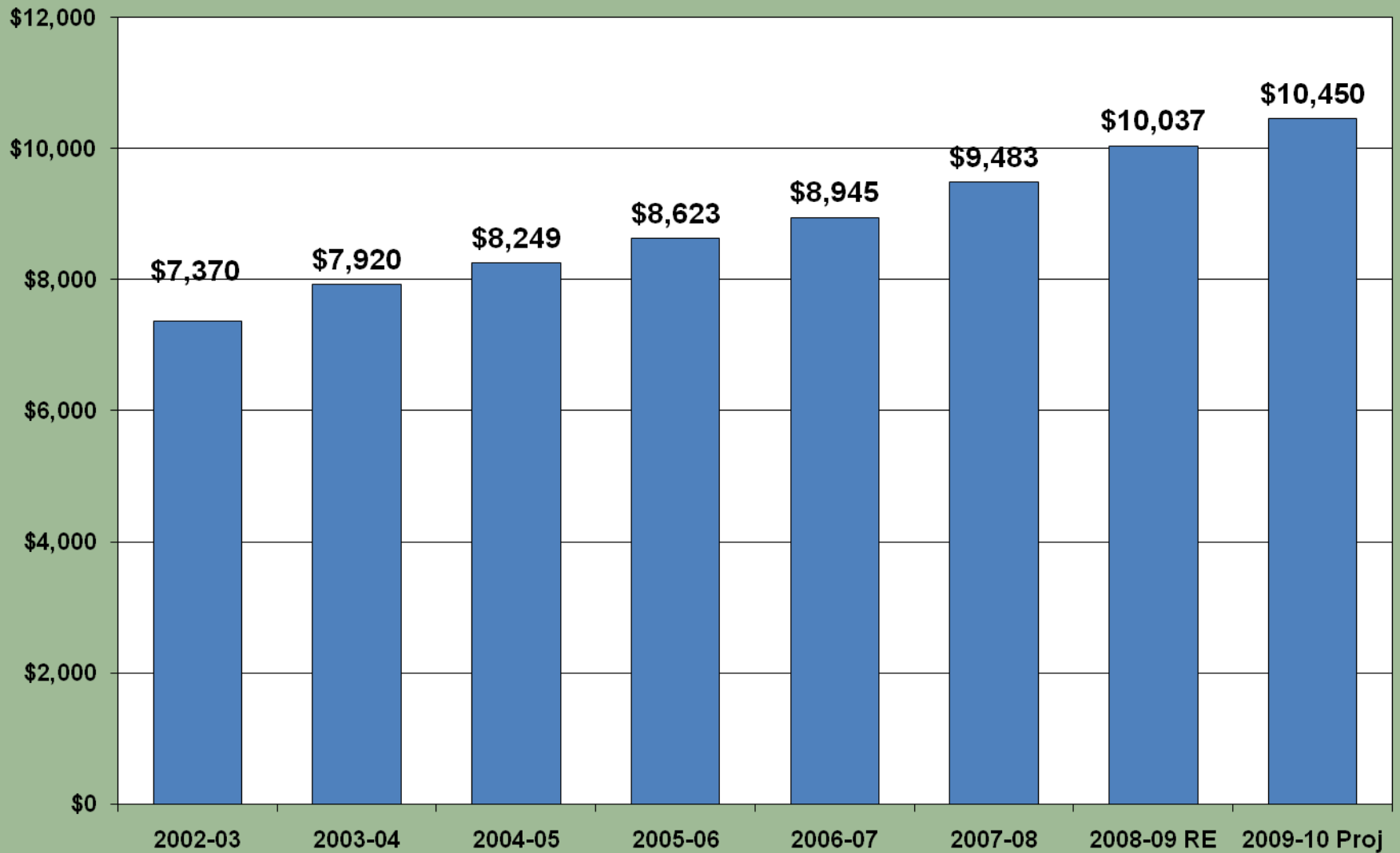
- Reduced funding disparities (public vs. Catholic; urban vs. rural)
- Centralized control over all education funding
- Removed power of school boards to manipulate the education portion of the local property taxes
- Property tax levies were now dictated by the Province
- Some boards lost 10% of their budgets and could not make it up with local funds

McGuinty (2003) as the Catalyst for Positive Change

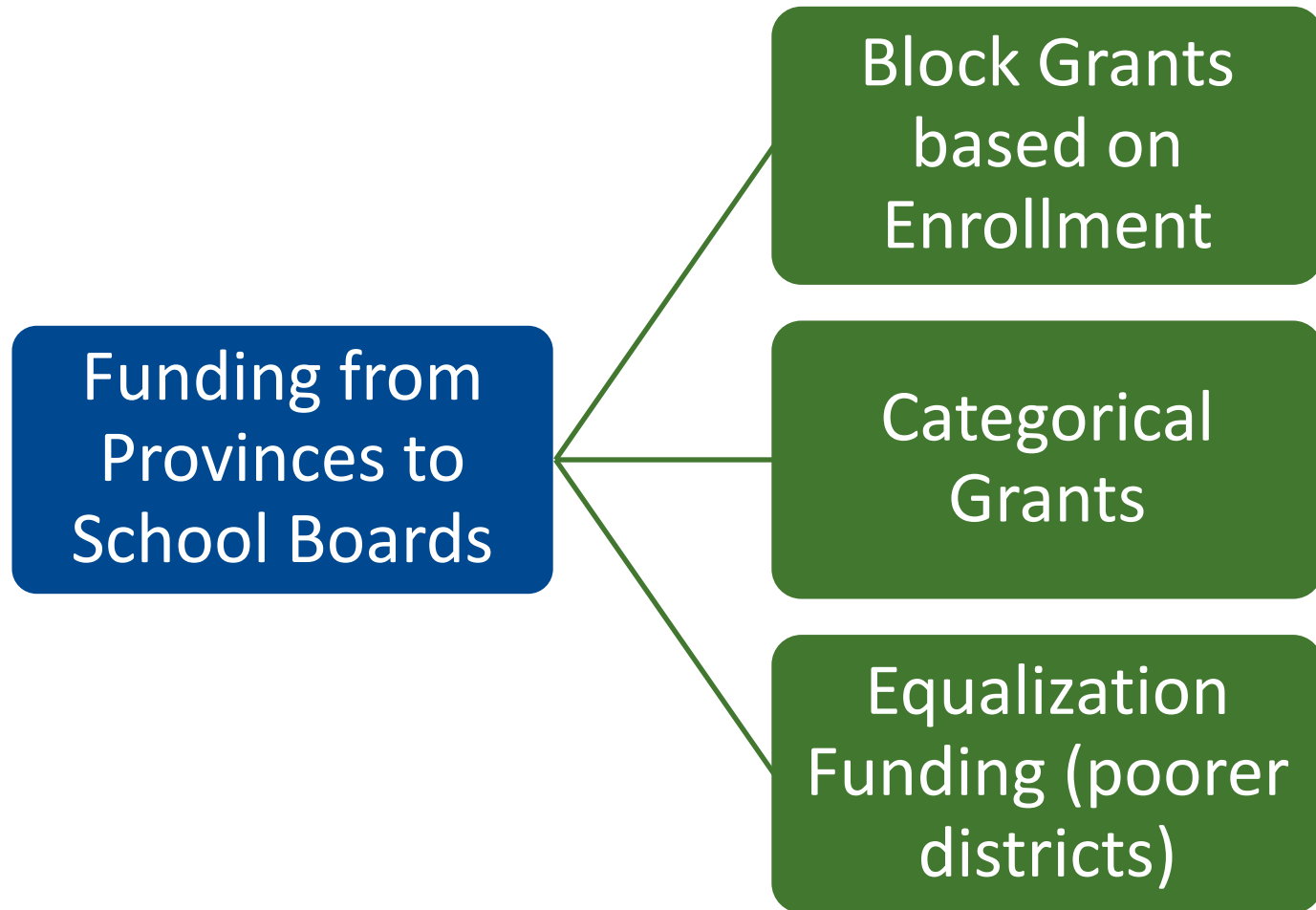
- McGuinty government developed two main goals:
 1. Increase literacy and numeracy in elementary schools from 55% to 75%
 2. Increase high school graduation rate from 68% to 85%
- To achieve those goals:
 1. Reduced class sizes in primary schools
 2. Increased preparation time for teachers (eliminated in the 1990's)
 3. Negotiated a 4-yr collective bargaining agreement with the unions
 4. Strategically increased funding in key areas

GSN FUNDING PER PUPIL

2002-03 to 2009-10



Since funding has shifted almost entirely to the province level, Ontario was able to offset the greater neediness of some of their students with categorical grants and equalization funding.



Lessons from Ontario

- System coherence and alignment
- Teacher quality
- A single capable center with authority and legitimacy to act—Minster of Education
- Professional accountability

Works Cited

- Anderson, S. (2003). Policy Trends in Ontario Education 1990-2003.
- Mackenzie, H. (1998). Education Funding in Ontario.